



2 for 1[®]

Neil Macneale's
Stock Split
Newsletter

Volume 24 Issue 12

2-for-1.com

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RECENT SPLITS – OUR BUY

No Add or Delete

There hasn't been an eligible split to consider since October 9th when Middlefield Banc Corp. (MBCN) announced its 2 for 1 split. I recommended MBCN and bought it on 10/21 and it's up over 18% since then, a feat I'd like to repeat, but there just isn't much to work with. I've sifted through the market with all the usual screens but didn't come up with any companies that really got my attention. Therefore, there will be no new stock added to the portfolio this month and no corresponding sale.

Of course, the meager number of splits has been a fact of life for several years. That I can't get interested in ANY stocks right now feels new and different. There seem to be several factors at work here and, as a result, stock picking, splits or no splits, has become a frustrating exercise.

1. The market is generally overvalued. The PE ratio for all the S&P 500 stocks is 23.55. Since the 1870's, the mean has been 15.8 and the median stands at 14.8. Our stock screening formula favors "value" stocks, of which there seem to be fewer and fewer.

2. Companies have taken on heavy debt loads. Borrowing by non-financial corporations, as a percentage of GDP, has reached its highest level in 30 years and is higher than just prior to the 2008 financial meltdown. This binge of borrowing will almost certainly lead to a painful hangover down the road. 2 for 1 stays away from heavily indebted companies.

3. Boards of Directors are reluctant to take risks. A stock split is a signal that a board has a high level of confidence their company is on track for future success. Boards are made up of people with the same anxieties about the world's problems as the rest of us. Would you have confidence we'll have a stable and growing economy if you were a director?

Despite all the above, we'll hope a few good stocks stand out from the crowd from time to time. For now, enjoy the holidays and tune in next year.

PORTFOLIO ITEMS

Portfolio Management

The addition of Timken (TKR) to the portfolio last month brought the number of non-splitting stocks on our list to ten, well over a third of our positions. Annaly Capital (NLY) was the first and it will be coming to the top of the portfolio ladder in seven months, if we sell one stock every month.

A basic tenet of the 2 for 1 portfolio management strategy lies in the advantages provided by "laddering" over a 30-month holding period. As the portfolio moves through time, a consistent monthly buy and sell routine provides two distinct benefits. One, it eliminates the temptation to try to time the market. And two, it provides a discipline for the buy and especially the sell decision, by far the more difficult of the two. Because the stock split advantage peters out after three years, the goal of a 30-month holding period fits very nicely into the laddering procedure that has served us so well over all these years.

So, this brings up an interesting question. What should our "sell discipline" be if a stock is not constrained by the gradual disappearance of the 3-year stock split advantage? Here's my thinking. The routine of a 30-month holding period on a ladder, starting with the newest up to the oldest at the top, needs to be maintained. Even with ten non-splitters in the portfolio, the other seventeen, the splits, still have to be moved up the ladder as before. It will be easier and cleaner to just treat the non-splitters and the splits alike and keep the ladder organized by date of purchase. Hopefully, someday, as we sell off the non-splitters, they will be replaced by splits and this whole topic will just be an interesting academic discussion.

For the fourth quarter so far, 2 for 1 has set several new all-time highs but has been slightly behind the market in overall performance. With just eleven trading days left in the year, it will be a race to the finish line. We're about 3.2% ahead of the market for the year as we go to press so keep your fingers crossed.

		# SH	BOUGHT	VALUE	CLOSE	COST	START	END	% OF
				AT	ON	BASIS	MONTH	MONTH	PORT
				BUY	11/30/19		48,248.57	49,646.75	8.34%
CASH									
AOS	A.O. SMITH CORP	400	01/17/17	48.711	48.400	19,484.51	19,872.00	19,360.00	3.25%
CMCSA	COMCAST	430	02/24/17	37.874	44.150	16,285.94	19,272.60	18,984.50	3.19%
CPRT	COPART INC	300	04/17/17	29.721	89.000	8,916.30	24,792.00	26,700.00	4.48%
SLGN	SILGAN HOLDINGS	700	05/15/17	30.976	30.810	21,683.36	21,539.00	21,567.00	3.62%
SPKE	SPARK ENERGY INC	720	07/17/17	20.007	11.030	14,404.95	6,890.40	7,941.60	1.33%
MRTN	MARTEN TRANSPORT LTD	1000	08/22/17	16.064	21.130	16,063.84	21,660.00	21,130.00	3.55%
NLY	ANNALY CAPITAL MGMT	1900	12/18/17	12.250	9.330	22,145.65	17,062.00	17,727.00	2.98%
AFL	AFLAC INC	340	02/20/18	44.395	54.840	15,094.15	18,074.40	18,645.60	3.13%
BRO	BROWN & BROWN INC	600	03/19/18	26.353	37.740	15,811.95	22,608.00	22,644.00	3.80%
AGX	ARGAN INC.	500	04/16/18	38.649	36.640	19,324.50	18,925.00	18,320.00	3.08%
EXPO	EXPONENT INC.	370	08/17/15	21.948	63.550	8,120.58	23,506.10	23,513.50	3.95%
SWK	STANLEY BLACK & DECKER	150	05/21/18	145.687	157.740	21,853.07	22,699.50	23,661.00	3.97%
HBNC	HORIZON BANCORP INC	1000	06/18/18	20.266	18.820	20,265.90	18,255.00	18,820.00	3.16%
NWE	NORTHWESTERN CORP	280	07/16/18	58.708	71.570	16,438.15	20,305.60	20,039.60	3.37%
FDEF	FIRST DEFIANCE FINANCIAL	600	08/20/18	31.989	30.150	19,193.40	18,552.00	18,090.00	3.04%
NHC	NATIONAL HEALTHCARE CORP	230	09/17/18	73.952	85.000	17,008.85	18,901.40	19,550.00	3.28%
TJX	TJX COMPANIES	400	10/15/18	54.960	61.130	21,984.01	23,060.00	24,452.00	4.11%
CASS	CASS INFORMATION SYSTEMS	400	11/19/18	55.629	56.470	22,251.72	22,924.00	22,588.00	3.79%
T	AT&T	530	01/22/19	30.969	37.380	16,413.75	20,399.70	19,811.40	3.33%
WRB	W. R. BERKLEY	315	03/18/19	56.049	68.000	17,655.45	22,018.50	21,420.00	3.60%
WHF	WHITEHORSE FINANCIAL	1280	04/16/19	14.081	14.340	18,023.54	17,856.00	18,355.20	3.08%
FFIN	FIRST FINANCIAL BANKSHARES	600	05/20/19	30.408	34.570	18,244.95	19,968.00	20,742.00	3.48%
PPL	PPL CORP	580	06/17/19	31.309	34.030	18,158.95	19,424.20	19,737.40	3.32%
KELYA	KELLY SERVICES, INC.	800	07/15/19	26.175	21.910	20,940.03	19,208.00	17,528.00	2.94%
FAST	FASTENAL CO	630	08/19/19	30.398	35.520	19,150.65	22,642.20	22,377.60	3.76%
MBCN	MIDDLEFIELD BANC CORP	860	10/21/19	23.148	26.250	19,907.50	19,780.00	22,575.00	3.79%
TKR	TIMKEN CO.	370	11/18/19	53.410	52.590	19,761.70	19,761.70	19,458.30	3.27%

(The portfolio numbered 27 positions as of 11/30, a result of very scarce new split announcements. The count will be brought back to 30 as conditions permit)

TOTAL CASH AND EQUITIES

\$484,587.35

\$595,385.45 100.00%

ACCOUNT VALUE SUMMARY - 11/30/19

Description	Amount
Last Month's Closing Equity	\$586,963.77
Change in Stock Value	\$7,133.33
Interest & Dividends	\$1,288.35
This Month's Closing Equity	\$595,385.45

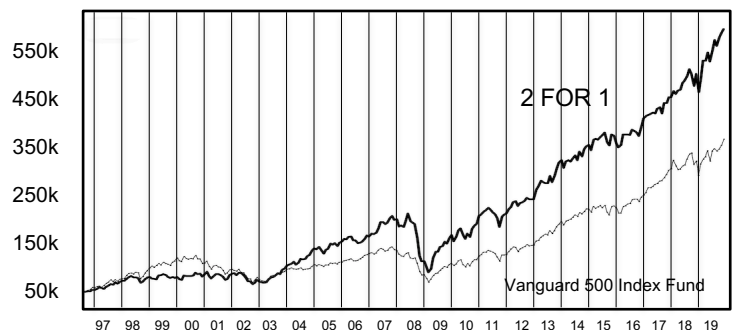
ANNUALIZED RETURN 7/31/96 - 11/30/19

2 for 1: **+11.20 %** Vanguard 500 Fund: **+8.99%**
(all costs and dividends included for both)

THE FINE PRINT

The above list represents all of the securities recommended, bought, and which are present in the 2 for 1 portfolio as of 11/30/19. An actual IRA account with E*Trade in the editor's name, the 27 stocks on this list constitute the entire 2 for 1 portfolio. The graph of the performance, above and to the right, was adjusted to equal the Vanguard 500 Index Fund at the end of July, 1996, adjusted for and including dividends. The Vanguard 500 Index Fund tracks the S&P 500, an index tracking the 500 largest U.S. companies. 2 for 1 tracks the 2 for 1 Index®, based on a portfolio of 27 companies, large and small. The 2 for 1 portfolio was started in July, 1996 with \$50,000. The \$484,587 basis above, plus the cash, minus the \$50K, is the total of all the realized gains accrued since the portfolio's inception. It shall not be assumed that recommendations made in this 2 for 1 issue, or in any future issues, will be profitable or will equal the performance of the securities on this list, now or in the future.

PORTFOLIO PERFORMANCE



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